

SENATE FLOOR ALERT

May 8, 2014

To: Members, California State Senate

From: Rex D. Frazier, President
Michael A. Gunning, Vice President
Kara Cross, General Counsel
Manolo P. Platin, Senior Legislative Advocate

Re: SB 1273 (Lara) Insurance: Low Cost Automobile Insurance Program

PIFC Position: Support, if Amended

The Personal Insurance Federation of California, representing seven of the nation's largest insurance companies (State Farm, Farmers, Liberty Mutual Insurance, Progressive, Allstate, Mercury and Nationwide) who collectively write a majority of the personal line auto and home insurance in California, **supports, if amended SB 1273 Insurance: Low Cost Automobile Insurance Program by Senator Lara.**

Senate Bill 1273 will reform and enhance California's Low Cost Auto Insurance (CLCA) program to provide income eligible drivers with affordable automobile liability insurance. PIFC's members have been long time supporters of the CLCA and recently passed legislation that supports licensed, tested and insured drivers. We would like to support this measure as well, but would like to see some amendments to the bill as currently written.

1. SEC. 3. Section 11629.72 of the Insurance Code is amended to read:

(4) Commencing on January 1, 2015, and no less than every three years thereafter, the California Automobile Assigned Risk Plan shall submit the loss and expense data, together with a proposed rate and the surcharge authorized by subdivision (a)

Again, we appreciate the desires of the sponsor, but think that given the many changes in the program, the review should stay an annual to give all the interested parties and opportunity to assess and evaluate all the changes until we have a comprehensive understanding. Given the eligibility enhancements, more frequent review of data to ensure rate adequacy in the specific geographic areas is appropriate, not a longer period of no review or a filing.

2. SEC. 12. Section 11629.87 of the Insurance Code is amended to read:
11629.87.

(i) The plan and an insurance carrier shall establish a data system whereby renewed policies, policy cancellations, and nonrenewals can be tracked, both by aggregate numbers and by individual consumer. The department shall have access to both the aggregate and individual consumer data for research and outreach purposes.

Requiring an insurer to cover this new cost of establishing a data system is unreasonable and unnecessary.

3. Also, giving the Commissioner the ability to increase the compensation paid to insurance producers is a laudable goal, the fact is that it will raise the cost of the program and ultimately the rates for the program. Because of the higher commissions, we can see a scenario where producers become incentivized to sell the LCA program for the higher commission, instead of a similarly priced policy with higher limits and better coverage. It



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is important to remember that this program is a mere safety net for folks who cannot afford coverage in the voluntary market.

For these reasons, PIFC would like to **support SB 1273 Insurance: Low Cost Automobile Insurance Program by Senator Lara, if the author adopts our proposed changes.** If you have any questions regarding PIFC's position, please contact Michael A. Gunning at (916) 442-6646.

cc: Senator Ricardo Lara, Author
Hugh Slayden, Senate Insurance Committee Consultant
Tim Conaghan, Consultant, Senate Republican Caucus
Gareth Elliot, Secretary of Legislative Affairs, Office of the Governor
Robert Herrell, Legislative Director, California Department of Insurance